

# **Report of the auditor-general to the Western Cape Provincial Parliament and the council on the George Municipality**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the George Municipality set out on pages 1 to 120, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the George Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matter**

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Material impairment**

8. As disclosed in note 31 to the financial statements, the municipality reported a material impairment of R59,1 million, as a result of the impairment of irrecoverable trade receivables.

### **Additional matters**

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Unaudited supplementary information**

10. The supplementary information set out on pages 119 to 120 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

### **Unaudited disclosure notes**

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

### **Report on other legal and regulatory requirements**

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives**

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic objective

presented in the annual performance report of the municipality for the year ended 30 June 2015:

- Deliver quality services on pages 22 of 25
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
  15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned strategic objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
  16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
  17. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected strategic objective:
    - Deliver quality services on pages 22 of 25

## **Additional matters**

18. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected strategic objective, I draw attention to the following matters:

### **Achievement of planned targets**

19. Refer to the annual performance report on page 22 for information on the achievement of planned targets for the year.

### **Adjustment of material misstatements**

20. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the objective relating to deliver quality services. As management subsequently corrected the misstatements, I did not identify material findings on the usefulness and reliability of the reported performance information.

### **Unaudited supplementary information**

21. The supplementary information set out on pages 16 to 21 and 30 to 110 does not form part of the annual performance report and is presented as additional information. I have not audited this information and, accordingly, I do not report thereon.

## **Compliance with legislation**

22. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other

related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### **Internal control**

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

### **Other reports**

#### **Investigations**

24. The municipality is performing an investigation into two cases of alleged financial misconduct. The investigation was still in progress at the date of this report.
25. The public protector conducted an investigation into alleged maladministration relating to the appointment of an area co-ordinator. The investigation was initiated by a member of the ward committee. The investigation was concluded on the 5 December 2014.

*Auditor - General*

Cape Town

30 November 2015



*Having regard to public confidence*